

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 ABF-01 /092 W

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P 191006Z MAY 75

FM AMEMBASSY DACCA

TO SECSTATE WASHDC PRIORITY 6782

UNCLAS DACCA 2440

E.O. 11652 : N/A

TAGS : AFSP, AFIN, BG

SUBJECT : FY 76 BUDGET SUBMISSION

REF : DACCA 2421

1. REFTEL ADVISED THAT BDG DEVALUED TAKA APPROXIMATELY FIFTY-EIGHT PERCENT MAY 16, 1975 BY CHANGING PARITY RATE TAKAS TO POUND STERLING FROM TAKAS 18.9677 TO TAKAS 30. MAY 19 TAKA/DOLLAR EXCHANGE TAKAS 12.9095 TO US DOLLACOM EMBASSY ASSUMES TAKA WILL FLUCTUATE AROUND 12-13 TO ONE DEPENDING ON POUND STERLING-US DOLLAR RATE.

2. IMPACT DEVALUATION ON LOCAL PRICE STRUCTURE DIFFICULT ASSESS. UNDOUBTEDLY COSTS ALL IMPORTED GOODS AND LOCALLY MANUFACTURED GOODS HAVING IMPORTED COMPONENTS WILL INCREASE SHARPLY. BDG WILL INTRODUCE 1976 GOVERNMENT BUDGET IN JUNS. EMBASSY SUSPECTS INCREASES WILL BE IMPOSED IN COST TO PUBLIC OF GOVERNMENT-PROVIDED SERVICES WHICH WILL BE REFLECTED IN HIGHER RATES FOR POSTAGE, UTILITIES, FEES, ETC. THESE INCREASES WILL HAVE DIRECT AND, IN CASE OF ANY NEW TAXES ULTIMATE INDIRECT EFFECT ON PRICES EMBASSY PAYS FOR GOODS AND SERVICES. INCREASED  
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IMPORT PRICES WILL RESULT IN HIGHER FUEL COSTS, HIGHER TRANS-

PORTATION COSTS, ETC. EMBASSY ANTICIPATES EXTREME AND UN-RELENTING PRESSURE FOR ADJUSTMENTS IN LEASES AND CONTRACTS TO REFLECT HIGHER PRICES IN LOCAL ECONOMY. AS LOCAL PRICES RISE REQUESTS FOR ADJUSTMENTS IN LOCAL COMPENSATION CAN BE EXPECTED.

3. IN VIEW IMPOSSIBILITY DETERMINING IMPACT THIS DEVALUATION QUICKLY AND IN FACE SCHEDULE FOR SUBMISSION FIELD BUDGET ESTIMATES WHICH ARE ALREADY PREPARED IN DRAFT AT OLD EXCHANGE RATE, EMBASSY PROPOSES SUBMITTING FY 76 ESTIMATES AS PREPARED AT EXCHANGE RATE OF 8:1. AS QUICKLY AS POSSIBLE AFTER LOCAL PRICE SITUATION STABILIZES AND IMPACT NATIONAL BUDGET CAN BE ASSESSED EMBASSY WILL SUBMIT INCREASE/DECREASE STATEMENT REFLECTING PLUS AND MINUS ESTIMATED EFFECTS THIS DEVALUATION ON FY 76 BUDGET SUBMISSION. UNLESS BUREAU ADVISES TO CONTRARY EMBASSY WILL SUBMIT ESTIMATES AS OUTLINED ABOVE ON MAY 23.

4. AFTER DEDUCTING ESTIMATES FOR RECURRING EXPENSES BALANCE FY 75, ADJUSTING UNLIQUIDATED TAKA OBLIGATIONS TO NEW EXCHANGE RATE, AND REVISING TAKA EQUIVALENT DOLLAR OBLIGATIONS FOR LOCAL SALARIES, UTILITIES, ETC., EMBASSY ANTICIPATES NOT AVAILABILITY WITHIN CURRENT APPROPRIATION OF SHARED DOLLARS SOME 46,000 AND PROGRAM DOLLARS 8500 FOR BALANCE FY 75.

5. POST WILL OBLIGATE FULL AMOUNT SHARED AND PROGRAM FOR URGENT POSNENEEDS, INCLUDING EFFECTIVE MAY 25, 1975 IMPLEMENTATION REVISED MISSION COMPENSATION. PLAN. SEPTTEL THIS SUBJECT FOLLOWS.  
BOSTER

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